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Monday 30 January 1978

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National Intelligence Daily Cable for Monday, 30 January 1978

The NID Cable is for the purpose of informing senior US officials.

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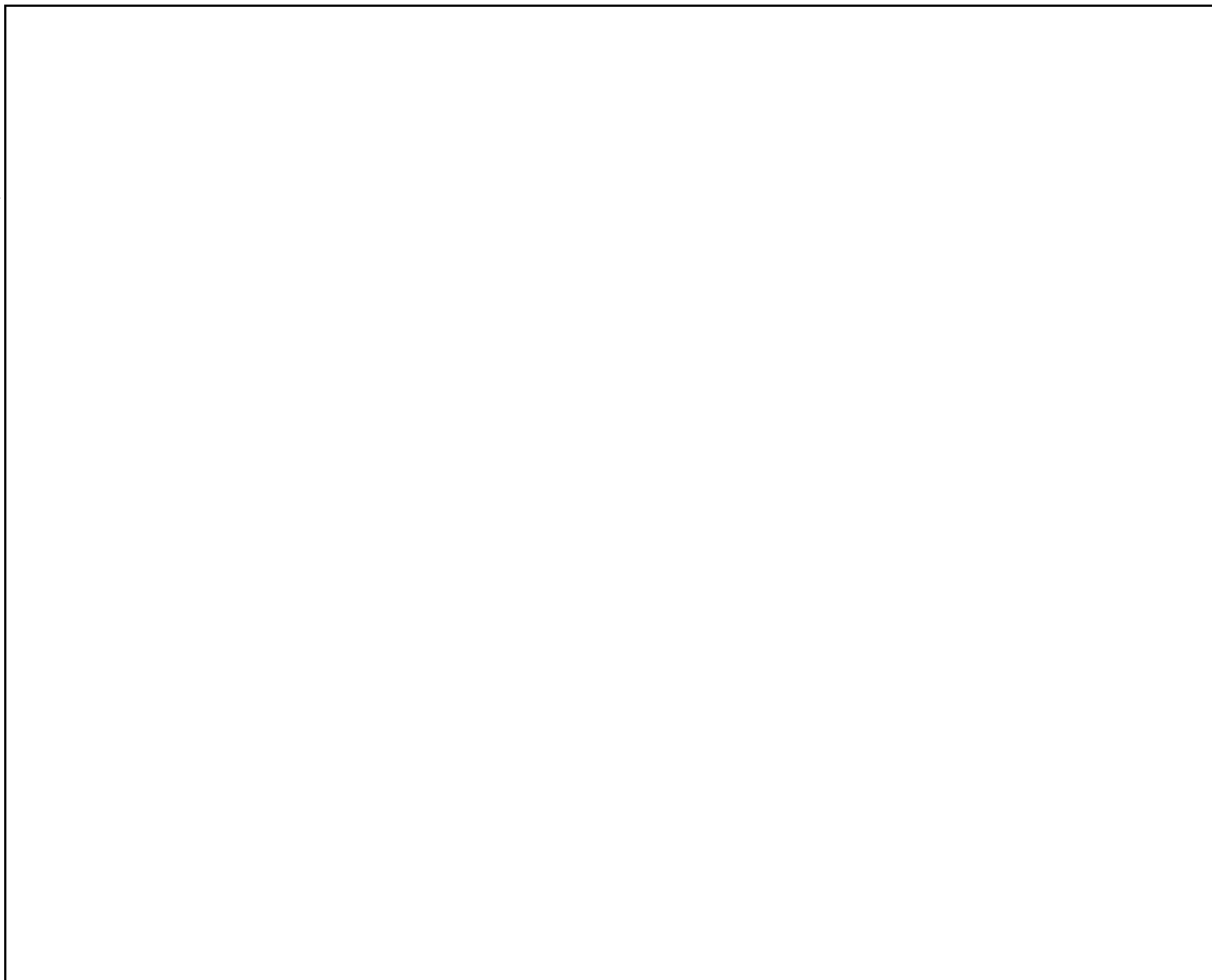
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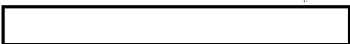
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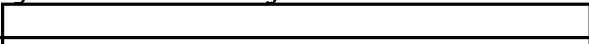


ARAB STATES: Hard-line Summit

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 A summit of Arab hard-liners--minus Iraq--
now seems set for 2 to 3 February in Algiers.

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 //The summit will be attended by Algeria,
Syria, Libya, South Yemen, and a high-level delegation from the
Palestine Liberation Organization. 

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[REDACTED]
The summit conference will be preceded by a meeting of the hard-line foreign and defense ministers from 31 January to 1 February.//

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[REDACTED] The Iraqis announced on Saturday that they would not participate in a summit unless guaranteed beforehand that the results would "provide actual capabilities for steadfastness and confrontation of imperialist-zionist designs and the capitulationist policies." This formulation suggests that Baghdad was unsuccessful in getting the other participants to go along with its demands for outright rejection of any negotiations with Israel or for the creation of an eastern front that might have allowed Iraqi troops to be stationed in Syria, and perhaps Lebanon. [REDACTED]

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ETHIOPIA: Red Terror Campaign

25X1 [] *The "Red Terror" campaign directed by the Ethiopian Government has intensified in Addis Ababa as proregime defense squads continue to kill government opponents.*

25X1 [] Fifteen to 20 people are now being executed daily by defense squads in the capital, and their corpses, marked with red signs, are left in the streets each night. The intensified campaign is instilling the desired fear among the city's residents and has succeeded in reducing terrorist acts against regime supporters by the Marxist-oriented Ethiopian Peoples' Revolutionary Party and other groups. Antigovernment gunmen, however, are still assassinating an average of one or two regime officials daily in Addis Ababa.

25X1 [] Defense squads drawn from urban dwellers' associations and from proregime mass movements are taking the lead in arresting and executing suspected opponents of the government, including members of the clandestine EPRP. The ruling military council has armed these defense squads and instructed them to crush counter-revolutionaries.

25X1 [] EPRP members under torture have implicated many others. US Embassy sources who have reported accurately in the past state that the defense squads have executed 750 people in Addis Ababa and 250 outside the capital in recent months; the number of those arrested approaches 7,000.

25X1 [] Search teams of 8 to 10 masked, heavily armed persons are routinely entering residences after curfew to terrorize and intimidate inhabitants. These teams apparently have unlimited

authority to detain persons or seize "counter-revolutionary" evidence. Arrests have generally been of young persons, but are beginning to include older residents as well.

25X1 [] A recent editorial in the government press criticizing bureaucrats in ministries that were former opposition strongholds indicates that employees in these ministries may become new targets of the "Red Terror" campaign. [] 25X1



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USSR: Repression of Dissidents

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[Redacted] Repression of Soviet dissidents in the Caucasus has increased during the past two months. Three members of the tiny Georgian branch of the dissident CSCE Monitoring Group were detained during the last week, and members of two Armenian groups have also been arrested recently.

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[Redacted] One member of the Georgian group, Grigorriy Goldshteyn, was detained and held for several days before being released last week. Goldshteyn was told that a case was being prepared against him for "malicious evasion of socially useful labor," also known as "parasitism." Unemployment is a criminal offense in the USSR and is often a convenient pretext for arresting those who have lost their jobs because of dissident activities. Goldshteyn, a physicist, had refused to accept the menial work he has been offered since he became a "refusenik" in 1971.

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[Redacted] As Goldshteyn was released, two other members of the Georgian Monitoring Group--one of whom is Viktor Rtskhiladze, an art historian and former Georgian Cultural Ministry official--were detained. Rtskhiladze had been detained temporarily last April along with other leaders of the Georgian Monitoring Group. Dissidents in Moscow believe that he may be charged with "anti-Soviet activity."

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[Redacted] Soviet authorities have always been sensitive to dissidence and unrest in the borderlands, and particularly in the

Caucasus, where nationalist passion against Russification runs high. A number of acts of sabotage in recent years have occurred in Georgia and Armenia. Although there has been no evidence that intellectual dissidents were involved in these events, the central authorities have probably never ruled out the possibility that some of the turbulence in these republics is politically motivated. This concern may now be aggravated by a fear that the CSCE group--which has links to an all-union organization of human rights activists--has joined forces with the more extreme Armenian nationalists, who could potentially tap a reservoir of popular resentment of Russian domination. [REDACTED]

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SWEDEN: Nuclear Energy Debate

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[REDACTED] Sweden's three-party government coalition apparently is deadlocked over whether to continue developing the country's nuclear power industry or to divert funds to research and development of nonnuclear power sources. The issue will be debated this week; opposition leader Olof Palme may ask for a confidence vote. Even without such a call, Prime Minister Falldin may force the issue by submitting a proposal for funding non-nuclear power development or for a referendum on the issue. If he finds little support for his position, Falldin could resign.

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[REDACTED] Falldin, who insists he will step down rather than renege on his campaign promise to phase out Sweden's nuclear power program, has until now been willing to compromise to keep his government in power. When the coalition was formed in 1976, the parties agreed that six already completed nuclear plants would continue to operate until 1985, four incomplete plants would be finished, but not operated, and research and development would be continued for three still on the drawing board.

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[REDACTED] Since that compromise was made, Falldin has departed even further from his original hard stance and has seemed willing to allow more plants to be put into operation and to stretch the phaseout beyond 1985.

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[REDACTED] He appears to be returning to a tough line, but it is unclear whether he has public support for his position. Polls show a majority of Swedes dislike nuclear power, but believe it necessary for industrial development and increased employment.

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A Royal Commission report that asserts the nuclear program is no greater hazard than available alternatives could sway public opinion.

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[redacted] The question now is how far Falldin is willing to push the issue and how much his coalition partners want to remain in power. They may decide to compromise again by agreeing to allow increased nuclear power production in return for funding for research and development of nonnuclear energy sources. A failure to compromise could open the door to the opposition Social Democrats, who were in power for 44 years before losing the 1976 election. [redacted]

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WEST GERMANY: 1978 Growth Target

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[redacted] West Germany is shooting for a 3 to 3.5-percent real economic growth in 1978, according to the government's annual economic report approved by the cabinet this week. Achievement of this goal depends largely on Bonn's success in moderating wage increases; current union demands are well above the government's 5-percent target. In 1977, real GNP grew by only 2.4 percent, far short of the 5 percent official target. The government stressed the uncertainties surrounding this year's projections.

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[redacted] Bonn is not sure it can achieve even its modest target, and carefully identifies 3.5 percent growth as an upper limit. According to the government, achievement would require moderate wage settlements--increases limited to about 5 percent--to improve industry's profit margins and encourage investment. It would also require no further substantial appreciation of the Deutschemark or significant economic slowdowns in major trading partners. The government admits that its growth target would not reduce unemployment below the present seasonally adjusted level of slightly more than 1 million.

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[redacted] Private consumption and government spending are to provide most of the stimulus for growth. Consumer incomes will

benefit from recent tax cuts and substantial increases in family allowances. Private investment should be encouraged by higher depreciation allowances.

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[] The net result of government tax cuts and expenditure increases is a projected public sector deficit of about \$24 billion, equal to nearly 4 percent of GNP. According to Finance Minister Apel, Bonn plans no further stimulative measures.

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[] Bonn expects little stimulus from the external sector. Exports of goods and services are projected to rise 5 to 7 percent in current prices. Responding to quickening domestic demand, imports are expected to rise 7 to 8 percent.

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[] The cautious tone characterizing the official economic report appears justified. Even as the report was published, one of its key underlying assumptions--wage moderation--was being challenged. Last Wednesday, 20,000 dockworkers began their first strike in 82 years, halting work in Germany's major seaports. The dockworkers rejected a compromise 5.7 percent wage increase, holding out for a raise of at least 6 percent.

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[] Wage negotiations also have broken down with the 210,000 employees of the German steel industry, hard hit by the worldwide slump in demand for steel. The metal workers' union is demanding a 7-percent wage increase and recently rejected a management proposal to extend the old contract through 30 April and to provide a 3.5-percent pay hike and some additional benefits effective 1 May.

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[] In all, new wage contracts covering some 10 million workers in the metal working, chemical, textile, and printing industries and in public service remain to be negotiated during the next few months. Current demands are significantly higher than the average 5-percent hike that Bonn considers compatible with its growth targets. The president of the German Trade Union Federation, however, privately maintains that final wage settlements will be close to 5.5 percent.

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[] The labor-management negotiating climate remains embittered. The union leadership deeply resents industry's decision last year to test the constitutionality of the Codetermination Law, which gives labor near parity representation on the

supervisory boards of major companies. In the wake of this industry tactic, the union leadership decided to boycott the "Concerted Action" meetings, which in the past had provided a forum for government, business, and labor leaders to discuss future economic trends and their implications for wage and price policies.

Restoration of an effective exchange of views among government, business, and labor in some other forum, as is currently under consideration, would enhance the prospects for achieving Bonn's growth targets.

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BELIZE-GUATEMALA-UK: Negotiations

25X1 [] //Belizean Premier Price's reaffirmation that his country will not cede territory to Guatemala in order to gain independence has dimmed the chances of an early settlement. The British and the Guatemalans are nevertheless planning to resume formal negotiations early next month.//

25X1 [] //Price has become so closely identified with independence and territorial integrity that any retreat would be exceedingly difficult. While he badly wants to be the person who leads Belize to independence, he probably is politically weaker than at any time in the past decade, and the odds of his being in office after the next election--no later than October 1979--are not good.//

25X1 [] //A national referendum supporting independence with territorial cession would enable Price to change his public position by deferring to the will of the people. The opposition parties have long insisted on a referendum before any move toward independence is made, but Price has never agreed. In a meeting with British Foreign Secretary Owen last Tuesday, however, Price raised the possibility of a referendum by asserting--without mentioning a date--that the issue would be put directly to the people.//

25X1 [] //This remaining hope is slim because a majority of the voters would probably reject independence involving territorial cession unless this was packaged with security guarantees and major economic sweeteners. An alternative method of consultation--perhaps a poll of elected officials--would offer better chances of a favorable vote.//

25X1 [] //The prospects for early resolution are further dimmed because Guatemalan President Laugerud--who could not gain approval for any agreement that did not cede territory--will become a "lame duck" after the 5 March presidential election. If the issue passes to Laugerud's successor, a settlement could be put back by at least a year. In the interim, however, the Guatemalans will be satisfied with the status quo and are unlikely to resort to force unless the British move unilaterally to grant Belize independence. [] 25X1

NORTH KOREA: Succession Issue

25X1 [] North Korean President Kim Il-song's measured campaign to establish his son, Kim Chong-il, as his successor took another step forward last week when for the first time a North Korean radio broadcast publicly stressed the importance of choosing a "correct successor" to Kim. Without mentioning Kim Chong-il by name, the broadcast argued in unmistakable terms that the son is best qualified to assume that role. There is no evidence that the elder Kim's health is failing or that the succession issue is coming to a head, and the broadcast appears to be only another step toward establishing the son's credentials as the designated successor.

25X1 [] North Korean media previously commented on the need to prepare the younger generation to take over the "revolution," but they have never before directly addressed the question of choosing a successor to Kim Il-song. In contrast, last week's broadcast left no doubt about the issue by noting that the matter of carrying on Kim Il-song's work is directly related to the task of "correctly selecting the leader's successor."

25X1 [] In keeping with past practice, the broadcast did not mention the son by name. Instead, it praised the leading role of the "party center"--a term used by the media since 1974 to refer to Kim Chong-il. The broadcast also did not directly state that the party center should succeed Kim Il-song, but it strongly implied as much, stating that the goals of Kim Il-song and the party center are "indistinguishable" and that the party center can carry out the programs and policies of the elder Kim.

25X1 [] The broadcast was transmitted by a station based in North Korea that operates as the voice of the so-called "Revolutionary Party for Reunification," a Marxist-Leninist party that allegedly exists as an independent entity in South Korea. As such, the North Korean broadcast is not official, but Pyongyang has used the station to air sensitive issues with which the regime does not wish to be directly or publicly associated.

25X1 [] Kim Chong-il is well known in North Korea. Since at least 1973, the 36- or 37-year-old Kim has held a number of important positions in the Korean Worker's Party. He has initiated a number of domestic political and economic campaigns and has traveled widely throughout the country; his picture has been displayed alongside that of his father.

[] Last February, the pro-Pyongyang organization of Korean residents in Japan circulated a document asserting that Kim Chong-il had been approved as successor by the Political Committee of the Korean Worker's Party. Early each year, rumors are heard that there will be an official announcement from Pyongyang in February on the son's birthday or in April on Kim Il-song's birthday.

[] Kim Il-song is probably moving slowly on the succession question in order to build up his son's political acceptance and legitimacy and to avoid making himself a lame duck. The North Koreans are also sensitive to foreign perceptions of an emerging Kim "dynasty," especially on the part of China and the USSR, which would consider it an unwelcome deviation from Communist norms.

[] North Korean media have intermittently suggested that there is some domestic opposition to Kim Chong-il. Last week's broadcast, for example, hinted that some persons are seeking to undermine the son's efforts to propagandize his father's "revolutionary traditions."

[] Kim Il-song might want to speed up the timetable for announcing the succession scheme if he sensed that his own health was deteriorating. At 65, however, Kim continues to maintain an active schedule of public activities; he has met twice with foreigners this month, and he also presided over a national conference of agricultural specialists. []

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BOLIVIA: Banzer's Poor Prospects

[] *//The prospects that President Banzer will be able to turn over power to an elected government this summer are fading. A growing number of government, military, and business leaders oppose the election because they think it threatens political stability. The man Banzer has chosen to succeed him is losing support, and Banzer may ultimately decide to dump him.//*

[] Banzer has been in office six years--almost a record in Bolivia--and has brought the country a rare period of stability. Many Bolivians, particularly business and professional people, fear that the return to open political competition will be accompanied by political and economic chaos. The flow of

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capital out of the country has grown steadily since Banzer announced his plans for the election last November. Opponents of the election are also pointing to the government's awkward attempts to end a recent 21-day hunger strike as proof of growing instability.

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[] Banzer's chosen successor, Air Force General Juan Pereda, has lost the support of some key civilian politicians because of his indecisive behavior during the hunger strike, and his support within the military is only lukewarm. Pereda has not worked to cultivate close personal relationships with important military figures and, as an Air Force officer, he does not carry much weight with the Army.

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[] Along with renewed political uncertainty, the seeming failure of Pereda's candidacy to take hold has reportedly prompted Banzer to reconsider his options. Unless Pereda soon begins to pick up strength, Banzer may ask him to withdraw and become the official presidential candidate himself--something he may have had in mind all along. Alternatively, Banzer may simply cancel the election and maintain his position as military strongman. []

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BRIEFS

East - West Germany

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[] West Germany's top political troubleshooter on foreign and inter-German policy met with leading East German officials in East Berlin this weekend. State Minister Hans-Juergen Wischnewski said that his talks with Politburo member Hermann Axen, Foreign Minister Oskar Fischer, and other officials had been "businesslike, frank, and useful" as well as very necessary because of events during the past month. The latter is an apparent reference to the recent publication of an East German opposition manifesto in the West German news magazine *Der Spiegel*. Wischnewski said further talks to improve relations would continue in normal channels, adding that "there is no current plan" for a summit meeting between Chancellor Schmidt and East German party chief Honecker. []

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France

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[] French President Giscard broadcast to the nation on Friday his view of the upcoming election. Calling himself an

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"arbiter" with a national constituency who is above party and personal feuds, Giscard asked the voters to make "the right choice" of "common sense" at the polls in March--a greater mandate for the present governing center-right coalition. He warned that the constitution does not give him the power to prevent implementation of the Left's program if it wins a majority. Giscard said that the Left would wreck the economy, would not be able to agree on a program, and would further polarize French society.

The March election will be very close, and Giscard is aware that in 1973 then-president Pompidou had to intervene in order to save the governing coalition's majority. Giscard is expected to make more such speeches, and to favor the right. He must, however, weigh his words carefully in order to avoid being discredited because he seems too "political" in his approach.

China

Saifudin, an alternate member of the Chinese Communist Party Politburo, has been removed as party boss of Sinkiang Province on the Sino-Soviet border in western China. He was quick to join the attacks on Teng Hsiao-ping in 1976, and this probably contributed to his purge. Saifudin has been replaced by Wang Feng, a former First Party Secretary of Kansu Province who was purged during the Cultural Revolution in 1968. Wang Feng was rehabilitated last year after the return of Teng Hsiao-ping, when he was identified as Second Secretary of the Sinkiang Province party committee.

Persian Gulf

Bahrain, Qatar, and the United Arab Emirates revalued their currencies slightly against the US dollar on Saturday. Bahrain and Qatar increased the value of their currencies by 2 percent, while the UAE revalued by only 0.5 percent. The revaluations, initiated by the UAE, were economically insignificant but apparently had good local political justification. The Finance Minister of Bahrain reported recent criticisms from local banking and business circles that the country's currency was too tightly tied to the dollar and that the Government of Bahrain did not pay enough attention to the currency market. A recent small revaluation of the Saudi Arabian riyal probably also influenced the move. The monetary authorities of Bahrain also severed their

currency's link to the dollar, pegging it instead to the International Monetary Fund's Special Drawing Right, whose value is determined by a basket of 16 major currencies. The UAE is likely to follow, since Saudi Arabia, Qatar, and Iran also peg their currencies to the SDR. The small revaluation of the UAE's currency in effect devalues it slightly against the currencies of Qatar and Bahrain. These Persian Gulf neighbors have been striving in recent years to coordinate their monetary policies and exchange rates in order to create a "Gulf Dinar."

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